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DEPARTMENT FOR AF/W, EEB/TPP/ABT/ATP - JGSPECK

E.O. 12958 N/A

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SUBJECT: RESPONSE: IMPACT OF RISING FOOD/COMMODITY PRICES - SIERRA LEONE

Ref: A) STATE 39410, B) FREETOWN 196

¶1. Please see the following responses keyed to reftel A. Note that responses reflect currently available information on this situation, and that not all of the suggested questions posed in reftel A were answerable at this time or applicable to the Sierra Leone context.

DEMAND

¶2. a) Rice is the most important commodity consumed in Sierra Leone, while tubers (cassava, yams, and potatoes), bread, fruits, and vegetables also feature prominently in the local diet. Oils, such as palm and vegetable, are important ingredients in most dishes.

b) Food/commodities prices have increased by roughly 30% over the past six months.

c) Sierra Leone is, overall, a net importer of the goods listed in 2(a), though rice and cassava are grown here in relatively large quantities.

d) The national self-sufficiency level in rice was estimated at 69% for 2007. This implies that the country faces a deficit in rice of 150,000MT per annum. In 2007, 223,000MT was imported to make up for this shortfall. Cassava is the only other country-wide cultivated staple food, and similar statistics are not available.

e) There have been some shifts in consumption patterns. Rice, as the key staple, continues to be purchased at a high level - individuals and families are changing their purchasing habits to accommodate the price increase, but some have been forced to purchase cassava instead. The other staples listed continue to be purchased, though shopkeepers and bakeries have noticed a decline in the demand for bread as its cost has risen.

f) Low-income earners have found it difficult to absorb the price increases, particularly of rice, and impacts are starting to be felt for middle- and high-income earners. The regional impact of the price increases seems to be dependent on the production capacity, commodities produced, and prevailing market conditions on the locations. The Southern and Eastern Provinces, which produce a diverse range of cash crops, have been less affected than the Northern Province, for example.

SUPPLY

¶3. a) Between 2005 and 2007, the areas for rice cultivation increased. The overall area planted with rice increased by 27.5 percent in 2007 compared to the 2005 cropping season. While this is a positive development for the country, the increase in production cannot cover the increasing urban population's demand, which largely depends on imported rice. The infrastructure, such as roads and

transport availability, as well as the price of fuel, impedes movement of rice to many urban areas. Locally-produced rice is thus more expensive in Freetown and other urban areas than imported rice. Given that the significant worldwide rise in commodities prices is relatively new, and that the planting season for rice is yet to commence, it is too early to determine the impact of rising prices on domestic production [NOTE: The planting season begins at the end of April, and continues through May. Crops are usually harvested in September. END NOTE].

b) President Koroma and members of his cabinet have discussed the need for increased self-sufficiency in food production since coming to power in late 2007, but that has yet to result in actual investment by the Government of Sierra Leone (GoSL). There has been little foreign investment in the sector, though an overall increase in investment interest in Sierra Leone, coupled with Koroma's desire to encourage a resurgence in agricultural production, could change this trend over the next few years. Donors are placing emphasis on the sector, with recent provisions of equipment and technical assistance by members of the international community. For example, over the past four years, Food for Peace/USAID Sierra Leone's development assistance program has focused on revitalizing the agriculture sector, with good success. This emphasis will continue as a new USAID umbrella program is put in place this summer.

c) Due to post-war reconstruction programs, there has been a decrease in land used for agricultural purposes in and around Freetown. In the provinces, anecdotal evidence suggests that land use is increasing, due mostly to the President's pro-agriculture campaign and donor assistance.

d) There have been no drastic shifts in food inventories or stocks. However, there have been allegations that some rice and flour importers are holding back old stock to take advantage of future

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high prices.

e) Shortages of storage and food processing facilities do contribute to crop losses. An additional serious problem is the lack of infrastructure connecting agricultural production areas to urban centers. Poor roads, coupled with rising fuel prices, are significant challenges for suppliers attempting to sell their goods. Weather and government policies have not had an impact on supply to date.

POLITICAL IMPACT

14. a) There have not been any political protests or violence in Sierra Leone related to the price increases, though, per ref tel B, there is great potential for them to take place if conditions worsen.

b) The most significant impact is/will be heightened tensions between Sierra Leoneans and the local Lebanese community, many of whom are importers. Rumors are already surfacing that importers are creating artificial shortages to hike prices even further, although such rumors are vehemently denied. Tension has always existed between the communities, and the general lack of understanding that the price increases are a function of global market volatility rather than market manipulation makes the Lebanese community an easy target for blame. Contacts within this community have mentioned to embassy representatives that they are concerned about the possibility of violence in the future.

ECONOMIC IMPACT

15. a) Given that the impacts of rising food prices are only just being felt in Sierra Leone, correlating impacts on economic indicators are not yet visible because of the time-lag in collecting and assessing data here.

ENVIRONMENTAL IMPACT

¶6. a) There could be a trend of increased deforestation because sections of the population who earn their livelihood by using forest resources (charcoal, timber) will try to gather more resources to cover the increased cost of food commodities. More "slash and burn" practices could be used if farmers try to increase their food production acreage to respond to increased prices. Information on the potential impact on water availability and quality, and soil conservation, is not available.

GOVERNMENT POLICY RESPONSE

¶7. a) The GoSL reduced the duty on imported rice from 17.5 percent to 10 percent in recent weeks. Otherwise, the policy response to the rising prices has been negligible to date.

IMPACT ON POST PROGRAMS

¶8. a) Due to the increased prices of U.S. food commodities and freight, the Title II program in Sierra Leone will be unable to provide the total quantity of food initially planned. There will thus be less food available for the Vulnerable Group Feeding and Food for Asset activities in FY08 and 09.

POLICY PROPOSALS

¶9. a) In the short-term, the GoSL could consider reducing or eliminating the tariffs on oil and wheat. It could also further reduce or eliminate the tariff on rice. Other policy initiatives to undertake in the short-term are prioritizing road repair to make urban centers more accessible to agriculture producers, and renovating and building grain storage facilities. A longer-term approach could include a policy framework that focuses on increased production and crop diversification to create alternative staple foods. Elements of this policy framework might include: (1) assisting small farmers in procuring good quality seeds, tools; (2) providing technical assistance on storage and drying techniques to prevent post-harvest loss; (3) making farming land currently not under cultivation available to new prospective farmers, including youths; (4) supporting initiatives that encourage large-scale industrial farming using modern farming methods and tools; (5)

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supporting conservation agriculture programs to ensure that expansion of the areas under cultivation do not take place at the expense of forest lands and water.

b) Possible changes to USG policy include: (1) shipping Title II commodities by less costly foreign flag ships; (2) increasing the amount of monetized commodities; and, (3) allowing monetization of rice, which was refused in FY08 under the Title II program.

PERRY